

Individual Income Tax

The modern Missouri individual income tax became effective January 1, 1917. Because this tax was independent of the federal income tax adopted the same year, the enabling legislation specifically defined all related tax items, including gross income and deductions. The original tax was a flat rate levy of one-half percent of net taxable income. Exemptions for taxpayers and dependents were not introduced until 1919 and the present tax rate structure of graduated tax rates and bracket was not introduced until 1931.

Exhibit 3 contains a historical summary of the major parameters of the Missouri individual income tax. Appendix II contains a historical summary of the statutory tax rates.

While there have been many modifications to this tax since its inception, the most significant was the enactment of what is now Chapter 143, RSMo. This change, which became effective January 1, 1973, redefined the Missouri income tax in terms of federal statutes. As a consequence, adjusted gross income and most deductions are now determined by the Internal Revenue Code.

The base of the Missouri individual income tax is, in essence, federal adjusted gross. The latter is defined as total, or gross, income less selected sources of income and specific modifications. These items are called *statutory exclusions*. They include such items as payments to IRA or Keogh plans and insurance premiums paid by self-employed individuals. Also included in this category are interpersonal transfers, such as alimony paid and gifts received which are excluded to avoid double taxation of these items.

The largest group of tax preference items excluded from the definition of income, however, consists of specific sources of income such as government transfer payments (for example veterans benefits and income maintenance payments) and employer provided fringe benefits.

Taxable income is defined as adjusted gross income less total deductions. The latter consists of two parts. First are personal expenditures permitted by law, for example charitable contributions and certain interest payments. In lieu of *itemizing* such expenditures, taxpayers have had the option of using the *standard deduction* since 1944.

The second set of deductions are taxpayer and dependency *exemptions*. These have also been the result of both political and practical considerations, such as keeping the total number of returns within manageable proportions and differentiating liability based on family size.

Exhibit 4 provides a schema of the relationships between the federal and Missouri definitions. Those items designated with a ✓ are considered *tax expenditures*.

Exhibit 5 presents estimated revenue losses for all currently defined individual income tax expenditures. As with all such estimates, some cautions pertain to their potential use and misuse.

Individual Income Tax by Calendar Year

2003 Rank: 1

Average 2003 Tax Rate: 5.3%

	2001	2002	2003
Gross Receipts			
General Fund	4,675.2	4,454.8	4,750.1
Other	0.0	0.0	0.0
Tax Expenditures			
Exclusions	37.1	38.9	37.7
Deductions	3,284.0	3,251.4	3,244.5
Credits	187.7	146.2	168.9

Figures in millions of dollars

First, they cannot be meaningfully aggregated. This is the result of interactions between the various items. In general, the simultaneous elimination of more than one deduction will have a smaller revenue effect than the sum of their individual components. Conversely, the elimination of more than one exclusion would have a larger impact than the sum of the individual exclusions.

Secondly, these estimates may not accurately project what the actual revenue gains would be as a result of eliminating a particular expenditure. Many of the provisions are designed to reduce the cost of a particular activity, for example, accelerated depreciation or charitable contributions. If either were to be altered or eliminated, the effective price of investment or charity would be increased. Economic theory would suggest that the purchases of items so affected would decline, perhaps quite precipitously.

Another issue involved is that of the "timing" of certain expenditures. This issue is of particular importance in the case of the expensing of business expenditures. For individuals and corporations that opt to either expense or amortize certain outlays, the tax expenditure is measured by the difference between the deduction utilized and that of capitalizing the expenditure. As a result, these decisions will lead to negative tax expenditures in later years when the taxpayer does not have the depreciation deduction.

Exhibit 3
Missouri Individual Income Tax Parameters
1973-2007

Year	Defined by Federal Statutes	Graduated Tax Rates	Exemption Amounts		Standard Deduction Amounts ¹			
			Taxpayer	Dependents	Percent	Single	Maximum	Minimum
						\$400	\$400	\$0
1973	Yes	\$1,200	\$400	\$400	15.0	\$0	\$2,300	\$0
1974	Yes	\$1,200	\$400	\$400	15.0	\$0	\$2,300	\$0
1975	Yes	\$1,200	\$400	\$400	16.0	\$0	\$2,300	\$1,900
1976	Yes	\$1,200	\$400	\$400	16.0	\$0	\$2,400	\$2,100
1977	Yes	\$1,200	\$400	x		\$2,200		
1978	Yes	\$1,200	\$400	x		\$2,200		
1979	Yes	\$1,200	\$400	x		\$2,300		
1980	Yes	\$1,200	\$400	x		\$2,300		
1981	Yes	\$1,200	\$400	x		\$2,300		
1982	Yes	\$1,200	\$400	x		\$2,300		
1983	Yes	\$1,200	\$400	x		\$2,300		
1984	Yes	\$1,200	\$400	x		\$2,300		
1985	Yes	\$1,200	\$400	x		\$2,300		
1986	Yes	\$1,200	\$400	x		\$2,300		
1987	Yes	\$1,200	\$400	x		\$2,480		
1988	Yes	\$1,200	\$400	x		\$2,480		
1989	Yes	\$1,200	\$400	x		\$2,480		
1990	Yes	\$1,200	\$400	x		\$2,480		
1991	Yes	\$1,200	\$400	x		\$2,480		
1992	Yes	\$1,200	\$400	x		\$2,480		
1993	Yes	\$1,200	\$400	x		\$2,480		
1994	Yes	\$1,200	\$400	x		\$2,480		
1995	Yes	\$1,200	\$400	x		\$2,480		
1996	Yes	\$1,200	\$400	x		\$2,480		
1997	Yes	\$1,200	\$400	x		\$2,480		
1998	Yes	\$1,200	\$400	x		\$2,480		
1999	Yes	\$1,200	\$400	x		\$2,480		
2000	Yes	\$1,200	\$400	x		\$2,480		
2001	Yes	\$1,200	\$400	x		\$2,480		
2002	Yes	\$1,200	\$400	x		\$2,480		
2003	Yes	\$1,200	\$400	x		\$2,480		
2004 ²	Yes	\$1,200	\$400	x		\$2,480		
2005 ²	Yes	\$1,200	\$400	x		\$2,480		
2006 ²	Yes	\$1,200	\$400	x		\$2,480		
2007 ²	Yes	\$1,200	\$400	x		\$2,480		
2008 ²	Yes	\$1,200	\$400	x		\$2,480		

x = Not applicable

¹ Beginning in 1977, the former two-part standard deduction was replaced by a single deduction based on marital status.

² Projected

Exhibit 4

Derivation of Missouri Taxable Income—Individuals

Total or Gross Income

- Wages, salaries
- Annuities and pensions
- Dividends received
- State and local income tax refunds
- Alimony received
- ✓ Taxable interest received
- Net business profits
- Net gain on sales or exchanges
- Commissions, bonuses and tips
- ✓ Certain taxable fringe benefits
- Net rent and royalty
- Prizes
- Net farm income
- ✓ Taxable social security
- Unemployment compensation

minus

Exclusions from Gross Income

- ✓ Self-employed retirement plans contributions (Keogh)
- Alimony paid
- ✓ Contributions to individual retirement accounts
- Interest forfeited upon premature withdrawal from time savings account
- ✓ Employment-Related moving expenses
- ✓ Self-Employment tax
- ✓ Self-Employed health insurance premiums

equals

Federal Adjusted Gross Income

plus

Positive Adjustments

- Interest on state and local obligations
- Partnership, fiduciary or S corporation adjustments
- Other positive adjustments

minus

Negative Adjustments

- Interest from exempt federal obligations
- ✓ Interest on Missouri state and local obligations
- State income tax refund included in federal adjusted gross income
- Partnership, fiduciary or S corporation adjustments
- Other negative adjustments:
- ✓ Exempt railroad retirement benefits
- ✓ Enterprise zone income

equals

Missouri Adjusted Gross Income

minus

Deductions

- ✓ Standard or itemized deductions
- ✓ Federal income tax
- ✓ Other federal tax deductions
- ✓ Taxpayer exemptions
- ✓ Dependency exemptions
- ✓ Government pensions

✓ - Tax expenditure

Exhibit 4 (continued) Derivation of Missouri Taxable Income—Individuals

<p><i>equals</i></p> <p>Missouri Taxable Income</p> <p><i>equals</i></p> <p>Gross Tax Due Before Credits</p> <p><i>less</i></p> <p>Credits</p> <p><i>equals</i></p> <p>Net Tax Due</p>	<p><input type="checkbox"/> Multiplied by the effective tax rate or rates</p> <ul style="list-style-type: none">✓ Senior citizen's property credit✓ Neighborhood assistance credit✓ New or expanded business facility credit✓ Development reserve credit✓ Wood energy credit✓ Jobs training credit✓ Seed capital credit✓ Special needs adoption credit✓ Timely remittance of withholding discount✓ Enterprise zone credit✓ Affordable housing credit✓ Export finance credit✓ Low income housing credit✓ Small business incubator credit✓ Infrastructure development credit✓ Qualified research expense credit✓ Small business investment credit✓ Higher education scholarship credit✓ Brownfield tax benefits credit✓ Community bank investment credit✓ Business use incentives credit✓ Youth opportunities credit✓ Charcoal producers credit✓ Historic preservation credit✓ Maternity home credit✓ Domestic violence shelter credit✓ Sponsorship & mentoring credit✓ Film production credit✓ Wine & grape production credit✓ MOSTARS higher education scholarship credit✓ Rebuilding communities credit✓ Missouri individual training account program credit✓ Transportation development credit✓ Advantage Missouri trust fund tax credit✓ Agricultural product utilization contributor credit✓ Bank tax credit for S corp. shareholders✓ Dry fire hydrant credit✓ Family development account credit✓ New enterprise creation credit✓ New generation cooperative incentive credit✓ Remediation tax credit✓ SBA guaranty fee credit✓ Pharmaceutical credit✓ Shared care credit✓ Disabled access credit✓ Mature worker child care credit✓ Strategic initiative investment income credit✓ Rebuilding community/neighborhood preservation credit✓ Bank franchise credit✓ Demolition tax credit✓ Development tax credit
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✓ - Tax expenditure

Exhibit 5 - Part 1

Individual Income Tax Expenditures - Missouri Statutes 1998-2008

	1998	1999	2000	2001	2002	2003 ^F	2004 ^F	2005 ^F	2006 ^F	2007 ^F	2008 ^F
Exempt Income											
B.01 Pensions	9.5	9.1	9.3	9.0	38.4	37.2	37.3	37.5	37.3	36.7	35.8
Government	4.9	10.0	20.9	27.1	NA	NA	NA	NA	NA	NA	NA
Private	NA	NA	NA	NA	0.5	0.5	0.5	0.5	0.5	0.5	0.5
B.03 Distribution Trust	0.5	0.3	0.5	1.0	●	●	●	●	●	●	●
B.04 Enterprise Zone Modification	●	●	●	●	●	●	●	●	●	●	●
B.05 Lottery Prizes	0.0	0.0	0.0	0.0	●	●	●	●	●	●	●
B.06 Brownfield Income Modification	0.0	0.0	0.0	0.0	●	●	●	●	●	●	●
B.07 National Socialist Persecution	**	**	**	**	●	●	●	●	●	●	●
Non-Taxable Expenditures											
C.01 Standard Deduction	453.0	431.9	439.3	445.8	463.3	514.0	528.1	542.1	555.7	569.1	588.1
C.02 Itemized Deduction	724.0	768.8	879.3	923.2	949.9	940.5	970.9	1,003.5	1,047.4	1,082.4	1,129.5
C.02a Total	NA	NA	564.2	592.7	565.6	538.5	558.4	580.4	613.0	637.4	672.8
C.02b Require Standard Deduction	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
C.09 Artistic Literary Works	●	●	●	●	●	●	●	●	●	●	●
C.10 Social Security Taxes	169.0	184.6	200.1	217.8	217.8	200.6	207.8	216.8	226.0	235.5	245.3
C.13 Federal Income and Other Taxes	439.0	445.9	474.4	459.1	425.8	421.5	433.5	446.0	457.0	469.6	482.0
C.14a Health Insurance - Long-term	**	**	**	1.6	2.1	1.9	2.0	2.1	2.1	2.1	2.2
C.14b Health Insurance - Self-employed	**	**	**	6.2	6.3	4.1	4.1	4.2	4.4	4.4	4.6
Personal Exemptions											
C.15 Taxpayer Exemptions	208.0	360.4	368.0	368.2	365.7	365.3	367.9	370.5	372.9	375.4	377.6
C.16 Dependent Exemptions	97.0	94.7	97.2	105.4	98.1	98.2	98.9	99.7	100.4	101.1	101.7
C.17a Dependent Students 19 or Over	4.0	5.0	5.0	5.0	6.0	6.0	6.0	6.0	6.0	6.2	6.2
C.17b Dependent Age 65 & Older	**	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other											
C.18 Combined vs. Joint Return	153.0	157.3	207.0	158.3	154.1	153.8	154.8	155.9	156.8	157.8	158.8

Figures in millions of dollars; NA = Not available; ** = Not available; ● = Not applicable; • = Less than \$50,000; F = Forecasted

Exhibit 5 - Part 1 (continued)

Individual Income Tax Expenditures - Missouri Statutes

1998-2008

	Missouri Credits										
	1998	1999	2000	2001*	2002	2003	2004F	2005F	2006F	2007F	2008F
D.01 Senior Citizen's Property Tax	54.0	70.0	88.8	81.1	84.9	86.4F	87.7	88.6	89.0	89.1	88.9
D.02 Neighborhood Assistance	5.6	7.5	6.7	0.73	5.27	6.68	8.72	9.03	9.35	9.68	10.02
D.03 New or Expanded Business	1.1	0.5	0.8	0.58	0.06	3.90	3.22	3.22	3.22	3.22	3.22
D.04 Development Reserve	0.0	0.0	0.0	x	x	x	x	x	x	x	x
D.05 Enterprise Zone	1.9	1.7	1.7	1.74	0.30	1.50	1.49	1.49	1.49	1.49	1.49
D.06 Wood Energy Producers	2.4	2.2	1.9	1.63	0.57	0.50	0.50	0.50	0.50	0.50	0.50
D.07 Seed Capital	0.5	0.5	0.8	0.10	0.32	0.11	0.11	0.11	0.11	0.11	0.11
D.08 Special Needs Adoption	1.3	1.8	2.5	2.83	1.60	x	0.89	0.49	0.27	0.15	0.08
D.09 Timely Withholding Payment Discount	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
D.10 Affordable Housing	2.8	4.0	5.0	5.28	0.71	5.57	6.42	5.71	5.07	4.51	4.01
D.11 Export Finance	0.0	0.0	x	x	x	x	x	x	x	x	x
D.12 Low Income Housing	1.3	1.4	2.1	2.69	3.85	3.85F	4.21	4.53	4.89	5.27	5.68
D.13 Small Business Incubator	•	0.1	0.1	0.03	0.01	0.10	0.31	0.31	0.31	0.31	0.31
D.14 Infrastructure Development	10.3	4.4	2.8	3.15	0.38	2.40	7.20	8.64	10.37	12.84	14.93
D.15 Jobs Training	8.9	10.7	12.4	9.27	8.98	8.05	13.95	13.95	13.95	13.95	13.95
D.16 Qualified Research	0.3	0.2	2.4	0.06	0.34	x	0.02	0.02	0.02	0.02	0.02
D.17 Small Business Investment	2.8	2.3	0.5	0.09	0.14	0.08	0.08	0.08	0.08	0.08	0.08
D.18 Higher Education Scholarship	0.0	0.0	x	x	x	x	x	x	x	x	x
D.19 Brownfield Tax Benefits	0.0	•	0.23	x	x	x	x	x	x	x	x
D.20 Community Bank Investment	0.0	•	x	0.29	0.26	0.27	0.30	0.33	0.36	0.39	0.39
D.21 Business Use Incentives (BUILD)	0.0	0.0	0.1	0.45	x	1.08	1.08	1.08	1.08	1.08	1.08
D.22 Youth Opportunities	1.4	1.5	1.6	0.54	2.55	2.04	2.47	2.49	2.51	2.52	2.54
D.23 Charcoal Producers	0.0	0.0	0.0	x	x	0.27F	0.27	0.27	0.27	0.27	0.27
D.24 Historic Preservation	2.7	12.0	15.5	1.68	21.84	30.60	33.28	29.90	26.87	24.15	21.70
D.25 Maternity Home	0.7	0.7	0.8	0.97	0.90	0.90F	0.79	0.70	0.61	0.54	0.48
D.26 Domestic Violence Shelter	0.2	0.2	0.4	0.52	0.38	0.38F	0.40	0.42	0.44	0.46	0.48
D.27 Sponsorship & Mentoring	•	0.0	0.0	x	x	x	x	x	x	x	x
D.28 Film Production	0.0	0.0	0.5	x	0.05	0.20	0.80	0.83	0.86	0.90	0.94
D.29 Wine & Grape Production	0.4	0.3	0.05	0.21	0.30	0.69	0.66	0.64	0.62	0.60	0.60
D.31 Rebuilding Communities	x	0.2	1.4	0.33	0.95	2.05	3.51	3.51	3.51	3.51	3.51
D.32 Missouri Individual Training Account Program	x	0.0	0.0	x	x	x	x	x	x	x	x
D.33 Transportation Development	x	0.0	0.1	0.45	0.56	1.53	5.01	4.01	3.21	2.56	2.05
D.37 Advantage Missouri Program	x	0.0	0.0	x	x	x	x	x	x	x	x
D.38 Agricultural Product Utilization Contributor	x	0.5	0.1	0.17	0.27	0.24F	0.22	0.21	0.19	0.18	0.17
D.39 Bank Tax Credit for S Corp. Shareholders	x	0.2	0.7	0.85	1.9	1.19F	1.43	1.57	1.73	1.90	2.09
D.40 Dry Fire Hydrant ¹	•	0.01	0.01	0.01	0.02	0.02	0.01	0.01	0.01	x	x

See Appendix III for information on D.30, D.34, D.35, and D.36.

Figures in millions of dollars: NA = Not available; x = Less than \$50,000; • = Not applicable; * = Less than \$5,000; F = Forecasted numbers

*2001 figures are provisional subject to significant variations due to timing of credit redemption.¹ = Credit expired August 2003

Exhibit 5 - Part 1 (continued)

Individual Income Tax Expenditures - Missouri Statutes

1998-2008

	1998	1999	2000	2001*	2002	2003	2004F	2005F	2006F	2007F	2008F
Missouri Credits											
D.41 Family Development Account	x	x	0.0	0.03	x	0.03	0.29	0.44	0.66	0.99	1.48
D.42 New Enterprise Creation	x	0.0	0.0	0.13	2.03	1.24	1.06	1.19	1.32	1.48	1.65
D.43 New Generation Cooperative Incentive	0.1	0.9	0.5	0.52	0.82	0.82 ^F	0.99	1.18	1.42	1.70	2.04
D.44 Remediation Tax Credit	•	2.6	1.2	0.30	3.98	3.11	4.04	3.95	3.87	3.78	3.70
D.45 SBA Guarantee Fee	x	•	0.1	x	x	x	x	x	x	x	x
D.46 Pharmaceutical	x	83.2	70.8	71.0	x	x	x	x	x	x	x
D.47 Shared Care	x	x	•	0.02	0.02	0.02 ^F	0.02	0.02	0.02	0.02	0.02
D.48 Disabled Access	x	x	•	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06
D.49 Mature Worker Child Care	x	x	0.0	x	x	x	x	x	x	x	x
D.50 Strategic Initiative Investment Income Tax Ref.	0.0	0.0	0.0	x	x	x	x	x	x	x	x
D.51 Neighborhood Preservation Act	x	•	1.0	0.16	2.41	3.26	7.38	7.38	7.38	7.38	7.38
D.52 Bank Franchise	x	x	x	x	x	x	x	x	x	x	x
D.53 Demolition	x	x	x	x	x	x	x	x	x	x	x
D.54 Development	x	x	x	x	0.22	0.12	0.67	0.71	0.76	0.82	0.87

Figures in millions of dollars; NA = Not available; x = Not applicable; • = Less than \$50,000; x = Less than \$5,000; F = Forecasted
 *2001 figures are provisional subject to significant variations due to timing of credit redemption.

Exhibit 5 - Part 2
Individual Income Tax Expenditures - Federal Statutes
1998-2008

	1998	1999	2000	2001	2002	2003	2004 ^F	2005 ^F	2006 ^F	2007 ^F	2008 ^F
Exempt Income											
A.01 Military Benefits & Allowances	3.4	4.0	4.5	6.2	5.9	6.0	6.1	6.2	6.3	6.3	6.4
A.02 U.S. VA Benefits	10.4	11.4	11.1	15.3	14.8	15.9	16.9	18.1	19.1	20.3	21.4
A.04 Railroad Retirement Benefits	3.0	2.8	2.8	2.6	2.6	2.6	2.7	2.7	2.8	2.8	2.8
A.05 Social Security Benefits	107.5	121.7	111.4	102.3	102.9	108.5	113.7	121.1	130.6	131.3	132.0
A.06 Scholarships and Fellowships	3.5	3.7	4.0	5.9	5.5	5.6	6.0	6.3	6.4	6.5	6.6
A.07 Workmen's Compensation Benefits	3.7	4.1	4.3	3.0	3.0	3.1	3.3	3.5	3.7	4.0	4.3
A.07b Workers Compensation Insurance Premiums	20.2	21.8	20.8	21.3	22.4	24.5	26.6	28.5	30.6	32.9	35.1
A.08 Cash Public Assistance	20.2	21.0	22.3	24.4	26.7	26.4	26.2	26.1	26.1	26.2	26.3
A.09 State & Local Interest (G.O.)	43.6	42.6	44.0	50.4	53.8	54.5	56.6	56.2	56.5	58.1	59.8
A.10 State & Local Interest (Other)	9.1	8.1	8.2	9.5	10.3	11.6	13.0	13.9	15.2	16.2	17.4
Exempt Fringe Benefits											
A.11a Meals & Lodging	2.2	2.2	2.2	2.4	2.6	2.8	3.0	3.2	3.4	3.6	3.7
A.11b Miscellaneous Fringe Benefits	116.0	120.0	124.0	139.0	111.0	119.0	116.0	119.0	121.0	125.0	130.0
A.11d Educational Expenditures	0.7	0.8	0.8	1.3	1.3	1.6	1.8	1.9	2.1	2.2	2.4
A.11e Employer-provided Child Care	2.2	2.2	2.3	2.2	2.4	2.6	2.9	3.0	3.3	3.4	3.6
A.11h Pension/Profit Sharing Plans	280.5	287.9	133.2	166.8	212.0	231.0	249.9	260.2	247.4	225.5	205.9
A.11i Medical Insurance	233.0	247.2	262.3	322.4	362.4	409.0	468.5	514.4	576.1	624.7	674.7
A.11j Accident/Disability Premiums	0.6	0.6	0.7	0.7	0.8	0.8	0.9	0.9	1.0	1.0	1.1
A.11k Life Insurance Premiums	5.7	5.6	5.5	5.8	6.0	6.2	6.6	6.7	7.0	7.2	7.3
A.11n Employer Provided Transit Passes	1.3	1.6	1.6	1.7	2.0	2.3	2.7	1.9	2.2	2.5	2.7
A.11o Reimbursed Parking Expenses	6.8	7.3	7.4	7.7	8.3	8.8	9.6	10.6	11.0	11.6	12.2
Other Personal Exclusions											
A.12 Income Earned Abroad	1.9	2.4	2.0	2.3	2.6	2.6	2.8	2.8	3.1	3.2	3.3
A.13 IRA Plans	42.7	49.1	58.3	63.8	72.6	84.0	86.1	88.7	86.1	86.2	88.3
A.14 Keogh Plans	11.4	12.8	13.4	16.0	17.4	17.6	18.6	18.7	19.4	21.1	22.9
A.15 Life Insurance	45.0	44.9	48.4	53.5	58.0	63.1	70.9	77.4	86.5	93.1	99.6
A.17c Capital Gains on Home Sales	45.0	50.6	48.4	49.9	53.2	53.9	54.9	56.2	57.5	59.0	60.6

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*Figures in millions of dollars: NA = Not available; * = Less than \$50,000; F = Forecasted*

Exhibit 5 - Part 2 (continued)
Individual Income Tax Expenditures - Federal Statutes

1998-2008

	1998	1999	2000	2001	2002	2003	2004F	2005F	2006F	2007F	2008F
Other Personal Exclusions											
A.18 Capital Gains at Death	85.9	90.5	87.7	90.3	91.6	95.2	101.9	104.9	111.0	114.4	117.6
A.19 Carry-Over Capital Gains on Gifts	0.6	0.6	1.8	2.1	2.1	1.5	1.9	2.2	2.3	2.2	2.1
A.22 Parsonage Allowance	0.9	0.9	0.9	0.9	0.9	1.0	1.1	1.2	1.4	1.4	1.5
A.24 U.S. Savings Bonds	6.2	3.0	1.7	2.9	3.1	3.6	4.1	4.7	5.2	6.0	6.8
A.28 Self-Employed Health Insurance Premiums	2.4	3.8	3.9	4.8	6.9	10.1	11.1	11.8	13.0	14.4	15.7
A.29 Self-Employment Tax	16.4	15.0	17.8	18.5	18.9	19.4	20.0	20.7	21.3	21.9	22.6
A.30 Cancellation of Indebtedness	0.1	0.1	•	0.1	•	0.1	0.1	0.2	0.2	0.2	0.1
A.32 Medical Savings Account	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
A.35 Deferral of State Prepaid Tuition Plans	0.5	0.5	0.8	1.1	1.3	1.6	1.9	2.3	2.7	3.1	3.5
A.36 Education IRA	•	0.1	0.1	0.2	0.4	0.6	1.0	1.3	1.8	2.3	2.8
A.37 Deduction of Interest on Student Loans	0.8	1.2	1.3	1.5	2.1	2.2	2.3	2.4	2.5	2.5	2.5
A.41 401(k) Plans	•	•	•	139.6	165.4	176.8	188.2	204.9	218.6	238.5	249.6
A.42 Deduction for Higher Education Expenses	•	•	•	•	1.7	8.7	11.4	14.5	11.9	•	•
Business Exclusions											
A.23b Timber Growing Costs	0.1	0.1	•	•	•	•	•	•	•	•	•
A.23c Percentage-Cost Depletion:											
Non-Metallic Minerals	0.2	0.1	•	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
A.23d Farm Cash Accounting Rules	0.1	0.1	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.4	0.4
Expensing Certain Costs	0.1	0.1	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Multi-Year Production Costs	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2
A.23e Research/Development Costs	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
A.23g Accelerated Depreciation											
Rental Property	9.2	12.5	12.5	4.1	2.9	0.9	-1.2	-4.5	-8.8	-12.2	-15.6
Other Property	1.2	4.6	4.8	-0.2	-0.8	-1.4	-3.5	-4.9	-6.9	-8.6	-10.4
Machinery & Equipment	13.7	7.5	18.5	19.3	13.0	6.9	-16.7	-18.2	-18.9	-19.7	-20.2
A.23h Historic Structures	0.1	0.1	•	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2

Figures in millions of dollars; NA = Not available; • = Not applicable; • = Less than \$50,000; F = Forecasted

Exhibit 5 - Part 2 (continued)

Individual Income Tax Expenditures - Federal Statutes

1998-2008

	1998	1999	2000	2001	2002	2003	2004F	2005F	2006F	2007F	2008F
Business Exclusions											
A.23l Business Start-Up Costs	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
A.23n Imputed Interest Rules	0.4	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
A.23o Passive Loss Real Estate	14.6	12.9	12.9	15.5	14.2	13.7	13.0	11.9	11.6	10.9	10.4
A.25 Real Property Installment Sales	1.9	2.1	2.0	2.1	2.2	2.2	2.3	2.4	2.5	2.5	2.6
A.27 Small Corporation Stock Sale Losses	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2
A.27a Capital Gains Exclusion for Small Business Stock	•	0.1	0.2	0.3	0.4	0.5	0.7	0.8	1.0	1.2	1.4
A.33 Expensing Environmental Remediation Costs	0.1	0.1	•	•	•	•	•	•	•	•	•
A.34 Income Averaging for Farmers	0.3	0.2	0.3	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3
A.38 Expensing of Certain Small Investments	3.8	5.9	4.0	-0.7	-0.1	0.8	3.3	3.7	3.1	2.9	2.7
A.39 Empowerment Zones	0.6	0.9	1.0	1.7	2.6	2.8	3.1	3.5	4.0	4.5	5.0
A.40 Utility Conservation Subsidies	0.3	0.4	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3

Figures in millions of dollars; NA = Not available; ✕ = Not applicable; • = Less than \$50,000; F = Forecasted